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CHARLES ELMORE CRO

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1949

No. 128

THE DILL MANUFACTURING COMPANY AND
HENRY A. VAN DYKE,
Petitioners,

vs.

J. W. SPEAKER CORPORATION,
Respondent.

REPLY BRIEF FOR RESPONDENT

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OPINION OF THE COURTS BELOW

The opinion of the United States District Court for the Eastern District of Wisconsin is printed at R. 302 and is reported at 83 F. Supp. 21. The opinion of the Court of Appeals for the Seventh Circuit is reported at 179 F. (2d) 278, 84 U.S.P.Q. 309, and is printed at R. 404.

JURISDICTION

Petitioners invoke the jurisdiction of this Court under 28 U.S.C. Sec. 1254(1). However, petitioners have not advanced any valid reason for granting a writ of certiorari. No important Federal question is involved in this case. There is no conflict of opinion among the Courts of Appeals for the several circuits, and in view of the numerous occasions on which the petitioners have presented their cause to the Court of Appeals for the Seventh Circuit (as will appear hereinafter) it cannot be said that the petitioners have in anywise been denied substantial justice.

ADDITIONAL STATEMENT OF THE CASE

An understanding of the history of the appellate proceedings in this litigation is important to an appreciation of the extent to which full and complete consideration has already been given to the questions presented by the Petition for Writ of Certiorari.

The judgment of the District Court was filed on April 23, 1949 (R. 314) and plaintiffs (petitioners) appealed therefrom. The decision of the Court of Appeals for the Seventh Circuit was rendered January 25, 1950, and the mandate of that court issued on the same date, affirming the judgment of the District Court (R. 411).

On February 4, 1950 petitioners filed a lengthy petition for rehearing (R. 412-421), asking the Court of Appeals to reconsider virtually every point in the Opinion. On February 17, 1950 the Court of Appeals entered an order denying the petition for rehearing (R. 422).

On March 18, 1950 petitioners moved the Court of Appeals to recall and correct its mandate on the ground that

the court had in effect held all of the claims of all three patents in suit invalid, whereas (petitioners contended) only certain claims of each patent were before the court and its findings of invalidity could reach only those claims (R. 423). On April 12, 1950 the Court of Appeals rendered its decision on this motion, denying the same and amending its mandate to read: "The judgment finding the *patents* in suit invalid and dismissing the complaints is affirmed." (R. 428, emphasis supplied)

Six days later the petitioners filed with the Court of Appeals a petition for reconsideration (R. 429), urging that the Pre-trial Order (R. 28-29) narrowed the issues to certain specified claims of the patents in suit, and that the District Court and the Court of Appeals had no warrant to go beyond those specified claims. This was the first time in the long history of the appellate proceedings that petitioners adverted to the Pre-trial Order. On April 24, 1950 the Court of Appeals entered an order denying the petition for reconsideration (R. 433).

On June 16, 1950 respondent was served with the petition to this Court for writ of certiorari.

While petitioners argue in support of their petition for certiorari that the Pre-trial Order limited the issues on the trial to certain specified claims, such is not the fact. It should be noted, first of all, that *all* of the claims of the three patents in suit were specifically placed in issue by the respondent's counterclaims (see particularly R. 13, par. VIII (c) and R. 27, par. VIII (c)). It should also be noted that the Order Following Pre-trial Conference (R. 28) related merely to the question of *infringement* and had nothing to do with the question of *validity* of the claims. This fact is more clearly brought out by the Supplemental Order (R. 29), which sets forth the fact that

defendant (respondent) stipulated that if the claims in question were valid they were infringed. The Order Following Pre-Trial Conference was quite clear to the point that it was the *plaintiffs* who relied upon the specified claims.

The Order Following Pre-trial Conference thus clearly narrowed the issues raised by the *complaints,* and more particularly the issue of *infringement;* but it did not narrow the issues of *validity* raised by the *counterclaims.*

SUMMARY OF ARGUMENT

(1) The Pre-trial Order and the stipulation based thereon related to the question of infringement and did not eliminate from the case the issue (raised by the counterclaims) of the validity of the remaining claims—i.e., the claims which were not conceded to be infringed.

(2) The court has the right to amend a pre-trial order during the course of trial.

(3) Where the claims of a patent are obviously invalid, the court has a right to declare such claims void even without a finding that they are infringed.

ARGUMENT

The purpose of a Pre-trial Order is, of course, to set forth the decisions and agreements arrived at during the pre-trial conference. In this case the defendant (respondent) agreed that it would not contest the issue of infringement as to certain specified claims of each of the three patents in suit. No agreement was reached which similarly limited the issue of validity, and it must therefore be concluded that the issue of validity as to each and every

claim of all three of the patents in suit, as raised by the counterclaims, remained in the case throughout the litigation.

The effect of the Pre-trial Order is quite clear from a reading thereof. Plaintiffs (petitioners) agreed that they would not insist that any claims were infringed except those specified in the Order, and defendant, in turn, agreed that it would not contest the fact that those specified claims were infringed, providing they were found to be valid.

However, even if the Pre-trial Order could be construed as limiting the issues of validity raised by both the complaints and the counterclaims, the District Court remained at liberty at any time during the course of the trial to amend the Pre-trial Order if justice required it. This provision for amendment has been rather liberally construed, as of course it should be. *Pepper v. Truitt,* 158 F. (2d) 246 @ 251 (C.C.A.-10, 1946); *Phoenix Mutual Life Insurance Co. of Hartford, Conn. v. Flynn,* 171 F. (2d) 982 @ 983 (C. of A., D.C., 1948).

Thus if the Pre-trial Order is to be considered as limiting the issue of validity to the claims conceded to be infringed, then it must be held that the District Court, on its own motion, modified the Pre-Trial Order by its subsequent consideration of the validity of the remaining claims of the patents in suit.

By the same token, it was entirely proper for the appellate court to affirm the District Court's holding that these claims were invalid. Moreover, it is elementary that the Court of Appeals could affirm the District Court's holding of invalidity even though the higher court based its conclusions upon different grounds than those relied

upon by the trial court, "for if the plaintiff's patent is invalid on any ground, the decree of the District Court dismissing the complaint must be affirmed." *Hann v. Venetian Blind Corporation,* 111 F. (2d) 455 @ 456 (C.C.A.-9, 1940).

Indeed, it has been held that the appellate court has the right to investigate the question of invalidity, even though the lower court has held the patent not to be infringed, so long as all the evidence is before the Court of Appeals and there is no conflict in the evidence upon that issue. *Marchus v. Druge,* 136 F. (2d) 602 @ 605 (C.C.A.-9, 1943, Cert. Den. 64 S. Ct. 84, 320 U. S. 772) and cases there cited.

And finally, there is authority for the Court of Appeals to consider claims which had not been placed in issue by the pleadings, or which may have been withdrawn from issue by the Pre-trial Order, and to find such claims invalid. In *Bresnick v. U. S. Vitamin Corporation,* 139 F. (2d) 239 (C.C.A.-2, 1943) the Court of Appeals for the Second Circuit had before it an appeal from a judgment dismissing a complaint upon claim 5 of a certain patent containing eight claims. In other words, only claim 5 of the patent had been placed in issue by the pleadings. The court, however, considered all of the claims, and found the entire patent invalid. As its reason for doing so the court stated, per Judge Learned Hand (at p. 242):

> "We have disposed of the patent as a whole because it has seemed to us proper that it should not remain in the art as a scarecrow."

Nor was the Court of Appeals for the Second Circuit without precedent in so dealing with the patent in the *Bresnick* case. In *Slawson v. Grand Street, P. P. & F. R. Co.,* 107 U. S. 649, 2 S. Ct. 663 (1883) this Court had be-

fore it a patent case in which the inventions described in the patents were not patentable. The appellant argued that this defense had not been set up in the answer, and that the circuit court was therefore unwarranted in finding the patent in suit invalid.

This court cited previous decisions in which it had overruled this contention and said:

> "We think the practice thus sanctioned is not unfair or unjust to complainants in suits brought on letters patent. If letters patent are void because the device or contrivance described therein is not patentable, it is the duty of the court to dismiss the cause on that ground whether the defense be made or not. It would ill become a court of equity to render money decrees in favor of a complainant for the infringement of a patent which the court could see was void on its face for want of invention. Every suitor in a cause founded on letters patent should, therefore, understand that the question whether his invention is patentable or not, is always open to the consideration of the court, whether the point is raised by the answer or not."

It is submitted that this statement controls the instant petition and constitutes adequate grounds for the denial thereof, regardless of what effect may be attributed to the Pre-trial Order.

CONCLUSION

The counterclaims in the instant litigation squarely placed in issue the validity of each and every claim of all three patents in suit. The Pre-Trial Order in nowise limited the issues raised by the counterclaims.

Even if the Pre-trial Order could be said to have withdrawn certain claims from consideration by the court

on the issue of validity, the court was at liberty to modify the Pre-trial Order during the trial in the interest of justice; and by its judgment holding all of the claims of each patent invalid it can be said to have done so.

Moreover, both the District Court and the Court of Appeals could look beyond the claims to which the Pre-trial Order was restricted and find all of the claims of the several patents invalid, so that these claims "should not remain in the art as a scarecrow."

Petitioners have had their day in court on the issues raised by the petition for certiorari. Those issues have been considered frequently and completely, and, upon good authority, have been decided against the petitioners. No question remains in the case which merits the attention of this Court.

The petition for writ of certiorari should therefore be denied.

Respectfully submitted,

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July 5, 1950

Office - Supreme Court,
FILED
SEP 11 1950
CHARLES ELMORE CROP

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ADDITIONAL POINTS RAISED BY RESPONDENT.

Respondent by its brief in opposition to the Petition for Writ of Certiorari has raised the following points not covered in petitioners' brief and which require answer since they are deemed either contra to law or not in accord with the facts of the case.

Respondent has asserted that:

(1) The Pre-trial Order and the Supplemental Order (R. 28, 29) related solely to the question of infringement and did not eliminate the question of the validity of the remaining claims—i.e., those not specified in the Pre-trial Order.

(2) The Court has the right to amend a pre-trial order during the course of trial and must be considered to have so amended this Order.

(3) The Court has the right to declare invalid patent claims which are not in issue and which are not charged to be infringed.

Petitioners deny these contentions for the reasons which follow.

ARGUMENT.

1. The Pre-trial Order and Supplemental Order Limited All the Issues Defined by All the Pleadings Including Respondent's Counterclaims.

Petitioners' (plaintiffs') complaints, as filed (R. 2-4, 18-20) did not designate the particular claims relied upon as being infringed by respondent (defendant) and therefore the counterclaims for declaratory judgments, filed by respondent, by their allegations of invalidity of all the claims of the patents were directed to the same controversy as represented by the complaints. As a matter of fact respondent's counterclaims raised no substantial issues which were not also covered in its answers and therefore probably could have been stricken upon motion as being redundant. *Stanley Works et al. v. Mersick & Co.*, 1 F. R. D. 43, at 45 and 46, D. C. D. Conn.

The purpose of a pre-trial conference being to simplify issues, it is obvious that respondent's counterclaims for declaratory judgment of patent invalidity were encompassed within the scope of the conference and the Order issued therefollowing. Hence, when petitioners specified that only certain claims would be relied upon as being infringed and respondent agreed that these claims, if valid, were infringed, the resulting Order and Supplemental Order setting forth these agreements (R. 28, 29) limited the controversy to only the specified claims not only as regards infringement but also with respect to validity.

This follows from the fact that the plaintiff in a patent infringement suit, by declaring upon certain claims of the patent or patents in suit, thereby marks out the limits of the controversy which is to be adjudicated by the court and other claims that may appear in the patent are not before the court for adjudication. *Ford Motor Company v. Gordon Form Lathe Company*, 90 F. 2d 999, CCA 6th; *Himmel Brothers Company v. Serrick Corporation*, 122 F.

2d 740, 742 and 743, CCA 7th; *Laufenberg, Inc. v. Goldblatt Brothers, Inc.*, 179 F. 2d 832, 835, CCA 7th; *Goodwin v. Carloss Company et al.*, 116 F. 2d 644, 646, CCA 6th; *Barber Asphalt Corporation et al. v. La Fera Grecco Contracting Co. et al.*, 122 F. 2d 701, CCA 3rd.

The defendant in a patent infringement suit cannot enlarge the controversy with respect to the patent claims involved by the device of filing a counterclaim in the nature of a declaratory judgment action and thereby seek to gain an advisory opinion of the court with respect to *validity* of claims on which there is no issue of infringement. The most that a defendant by such counterclaim is entitled to receive, beyond a determination of the claims declared upon, is an adjudication of non-infringement of the other claims and this only because the plaintiff, by specifying only certain claims as infringed, is estopped to assert infringement with respect to the other claims; there is no justification for finding of general invalidity of the patent or patents. *U. S. Galvanizing and Plating Equipment Corp. v. Hanson-Van Winkle-Munning Co.*, 104 F. 2d 856, 862-863, CCA 4th.

Consequently, the argument of respondent that the question of validity of the claims not specified in the Pre-trial Order as being infringed was still before the court reduces to the contention that the mere filing of a counterclaim for declaratory judgment entitles a party to an "advisory opinion" with respect to all the claims of patents in suit regardless of the limiting effect of a pre-trial order specifying only certain of the claims as being infringed. This would be directly contrary to the holding defining the scope of the Declaratory Judgment Statute in *Aetna Life Insurance Company v. Haworth*, 300 U. S. 227, 240.

That the Pre-trial Order and Supplemental Order did not simply represent a unilateral agreement as implied by respondent is further evident from the fact that the Order recites it was entered: "With the consent of the parties."

(R. 28.) Therefore, respondent was fully cognizant of, or should have been cognizant of, the fact that its counterclaims were as much restricted by the Pre-trial Order as were petitioners' complaints. Moreover, respondent in the subsequent course of the trial, not only restricted introduction of its own evidence to the claims specified in the Pre-trial Order, but also objected to certain evidence of petitioners on the ground that it related to claims not in issue. (See R. 40, 41.)

At no time during the course of the trial did respondent offer any evidence with respect to invalidity of claims not mentioned in the Pre-trial Order other than that also touching upon the validity of the claims specified therein. Moreover, no testimony was taken by respondent in support of the allegations in its counterclaims of harassment and the like and which would require an adjudication independent of a ruling regarding the validity and infringement of the claims specified in the Pre-trial Order.

Even after the decision by the District Court, respondent (defendant-appellee) clearly revealed that it considered the issue of validity as well as infringement to have been limited by the Pre-trial Order for in its brief before the Circuit Court of Appeals reference is made therein to the claims "in suit" of the two reissued patents and the statement is also made (Appendix to Brief of Petitioner, pp. 28-29) that: "If any invention was to be found in the structure disclosed in the Crowley and Van Dyke reissue patents, it may have resided in the provision of their specific fusible timing means and/or in the specific manner in which the fusible timing means interrupted the electrical circuit. But the claims of the reissue patents in suit do not include those features."

Other claims, not in suit, of these patents did however include the features mentioned, the lack of which respondent was there pointing to, thus clearly indicating that the

only claims "in suit" were those specified in the Pre-trial Order.

2. The Pre-trial Order Was Never Amended.

Respondent urges that the Pre-trial Order *could* be modified. This is not denied. However, the further assertion by respondent, that the Pre-trial Order *must* be considered as if it had been modified by the District Court by virtue of the subsequent consideration by the Court of the validity of the remaining claims of the patents in suit, is without support in law or in the facts of this case.

Modification of a pre-trial order normally requires that there be a request therefor in the form of a motion, a showing of why lack of such modification would cause an undue hardship, and a positive order entered by the court modifying the original order. No motion nor suggestion that the Pre-trial Order in this case should be modified was presented either before, during or after the trial. Not only did respondent not request modification of the Pre-trial Order, it actually recognized and took advantage of the binding effect of the Order at its convenience (See R. 40, 41).

Furthermore, the District Court in entering its opinion made no mention that it thereby modified the Pre-trial Order nor that its holding was intended to so operate. The fact that the District Court found the patents in issue entirely invalid was the result of findings with regard to the validity of issuance of the patents; namely, that there had been no inadvertence, accident or mistake justifying granting of Reissue patents 21,230 and 21,232 and that patent 2,272,965 was invalid for prior public use. Such findings, if correct, which is denied, applied as well against the claims not in suit as they did to those specifically in suit as the result of the Pre-trial Order and hence did not contravene the Pre-trial Order as did the decision of the Circuit Court of Appeals.

3. The Court Had No Right to Hold Claims Invalid Which Were Not Charged to Have Been Infringed.

The decisions cited by respondent in support of its contention that an adjudication on the validity of all the claims of all the patents is proper whether or not all the claims are charged to be infringed relate to unusual sets of facts not of general applicability and hence are not pertinent in the instant case.

In *Bresnick v. U. S. Vitamin Corporation,* 138 F. 2d 239, CCA 2nd, the patent related to a composition of matter and all of the claims covered the same elements, although recited in slightly different language or scope. Consequently, a finding of invalidity with respect to the claim actually sued upon applied as well against the other claims as to the claim in issue and this is the background for the court's statement that the patent should not be allowed to "remain in the art as a scarecrow."

In *Slawson v. Grand Street, P. P. & F. R. Co.,* 107 U. S. 649, 2 Sup. Ct. 663, the alleged invention of the patent in suit had comprised simply the putting of an additional pane of glass in a fare-box so that the passengers as well as the conductor could see the interior of the box. The court simply found such an obvious expedient non-inventive and hence any claims directed thereto were obviously invalid.

The situation here presented is entirely different since the claims which were not in suit covered elements of structure in addition to those recited in the claims relied upon and which elements were not in respondent's device nor to be found in the prior art relied upon to invalidate the claims which were infringed and hence in suit.

The case of *Marchus v. Druge,* 136 F. 2d 602, CCA 9th, is not authority for any different result since in that case the appellate court in reversing the lower court simply adjudicated the validity of the *claim in issue* with respect

to the prior art and did not pass upon the validity of the other claims in the patent.

The impropriety of adjudicating the validity of patent claims not in issue is well expressed in *Hale v. General Motors Corp.*, 147 F. 2d 383, CCA 1st, where the court at 388 said:

> "The Supreme Court in the recent case of Altvater v. Freeman, 319 U. S. 359, 363; 63 S. Ct. 1115, 1117; 87 L. Ed. 1450, said: 'To hold a patent valid if it is not infringed is to decide a hypothetical case,' and logically it would seem that to hold a patent invalid if it is not infringed would be to decide an equally hypothetical case."

To the same effect is the decision in *Grant Paper Box Company v. Russell Box Company*, 151 F. 2d 886, 890, C. C. A. 1st.

CONCLUSIONS.

The Pre-trial Order delimited all the issues in the actions, was agreed to by both of the parties in the presence of the Court, and was never subsequently modified by the Court. It therefore should be binding, not only upon both parties in trial of the issues, but also should limit the scope of the Court's decision. That the order thus entered was actually considered by respondent to bind it as well as petitioners is evident by the conduct of the trial, the testimony introduced by respondent, and objections made by it to petitioners' evidence. Hence, no harm would be done by correspondingly limiting the decision.

The fact that a Pre-trial Order may be modified by a court is moot in this case since no request for such modification was made, no modifying order entered, and the decision of the District Court did not require any such modification either expressly or implicitly.

The fact that respondent filed counterclaims does not alter the situation, since the issues in the said counter-

claims were in substance the same as those in its answers, any other alleged issues not being supported by the introduction of evidence during the trial, so that no new issues were raised requiring a decision of greater scope than that of the Pre-trial Order. The most that the counterclaims could do would be to entitle respondent to a declaration of non-infringement of any of the claims of the patents. They did not entitle respondent to an advisory opinion of the validity of the claims not in issue.

Respectfully submitted,

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